

# Fauquier County Government & Public Schools



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*To:* Chairman and Members of the Board of Supervisors  
Chairman and Members of the School Board  
County Administration  
Schools Administration

*From:* Vivian McGettigan, Finance Director

*Subject:* Corrective Action Plan: FY 2005 Management Letter  
Results: FY 2004 Management Letter Action Plans

*Date:* December 1, 2005

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On behalf of all those involved in the financial statement preparation for Fauquier County, we appreciate the suggestions given by the County's Independent Auditor for improvements. We have reviewed the Audit Management Letter, and present our strategies to enhance the quality of our processes. In the paragraphs below are outlined our response to the Auditor's recommendation, and the status of our FY 2004 action plans.

## Fiscal Year 2005

**Audit Comment:** **Repeat Comment - Computer Controls** – Our prior audit revealed that the County should develop a disaster recovery / contingency plan for its various operating systems. Such a plan would help recovery from data loss, hardware failure, and other potential problems more quickly in the event of a disaster. The plan should include procedures necessary for restoration of backup data. The plan will also help the County forecast potential problems and proactively plan around them rather than having to react to any situation that arise. During the current year the County has developed certain aspects of the plan, although they have not been put in writing. We recommend the County document in writing its disaster recovery / contingency plan.

**Response:** **PARTIALLY IMPLEMENTED** - Through the Technology Review Board, the Information Technology Department has begun the process of developing a disaster recovery plan. Development and implementation of this plan will be a multi-year effort. The first step in developing a disaster recovery plan is identifying the most likely causes of failure and addressing them in priority. Creating the proper environment for information technology equipment has been identified as the most critical issue in preventing system failure and is being addressed through the County's Facilities Planning and Implementation Committee. In conjunction with preventive efforts, mission critical individual systems will need to be identified and prioritized for disaster recovery before a formal plan can be prepared. To

achieve the goal of developing a disaster recovery plan it is essential to consider both existing technology and future acquisitions. For existing technology, the cost to correct any deficiencies will need to be evaluated relative to the benefit gained. For future acquisitions, disaster recovery issues will need to be incorporated in the planning phase of any new technology systems.

In the interim period several steps have already been taken to provide backup in the event of system failures. The Information Technology Department has fully implemented the auditors' recommendation related specifically to recovery from data loss and hardware failure for mission critical systems. The next step is to form a Disaster Recovery Team to identify disaster recovery for business operations which goes beyond information technology. The disaster recovery plans should include contingency procedures in the event technology is not available potentially disrupting business operations. For example, the inability to access office files, due to the closure of a building from a structural building problem or event of nature. The final stage would be to formally document the recovery plan.

#### **FY 2004 Audit Comments Addressed:**

**Audit Comment:** **Staffing** – Our current audit revealed a significant turnover rate of personnel within the Department. Due to the observed turnover, effort must be made to ensure proper supervision and training occurs in order for the department to achieve its goals. This will enable the critical area of financial reporting to be carried out timely and accurately. Overall we believe the existing staff to be a very cooperative, goals driven, and dedicated group.

**Response:** **IMPLEMENTED** - During FY 2005 staffing in the Finance Department has stabilized. Cross-training between departments and positions has been a priority to ensure all critical areas of financial reporting will be staffed in the event of turnover or illness.

**Audit Comment:** **Repeat Comment – Computer Controls** – We recommend the Department implement procedures to set the system to automatically prompt password renewal at regular intervals i.e. 90 days. This will keep passwords new and will prevent possible unauthorized access.

**Response:** **IMPLEMENTED** - The Information Technology Department implemented this recommendation. The password procedures require a new password be assigned every 90 days for all protected programs and systems.

**Audit Comment:** **Repeat Comment – Capital Assets** – GASB 34 financial reporting requires the County to capitalize and depreciate capital assets, which is an extremely detailed task for local governments. We recommend the draft accounting policies and procedures manual for capital assets be revamped to assist users in defining what a capital asset is and to assist in determining what expenditures would be capitalized. The manual should specify the required work to be performed on a monthly or quarterly basis and at year end in addition to the procedures to be employed by various staff including accounts payable clerks, accounts payable supervisors, and by the accountants who reconcile the various general ledger accounts. The manual should specify what kinds of reconciliations are required in various expenditure accounts as well as those to be employed in the Capital Improvement Fund. We believe a detailed manual, along with proper training will help assure the financial statements are updated in a clear, concise and efficient manner.

**Response:**

**IMPLEMENTED** - During the past year the Finance Department has reviewed in detail our capital assets to ensure accurate year-end reporting. A Capital Assets Policy has been drafted to provide guidance in classifying, recording and controlling capital assets in accordance with GASB 34. This policy will be presented for approval in FY 2006. Updating the procedures manual for Capital Assets is a work in progress, however significant progress has been made to identify the role of finance staff, and to outline the steps necessary to properly account for and record our assets. The annual reconciliations have been refined, and are easily traced back to the fixed assets system. Significant progress in this area has been noted by the auditors during the audit review.